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Intelligence Memorandum

Port Development at Vrangal Bay, USSR

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January 1973

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CENTRAL INTELLIGENCE AGENCY
Directorate of Intelligence
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INTELLIGENCE MEMORANDUM

PORT DEVELOPMENT AT VRANGEL BAY, USSR

Summary

1. The Soviets, with Japanese assistance, are constructing a new seaport at Vrangel Bay for the loading of coal and wood chips and the handling of containerized cargo. Total cost of the project is estimated at US \$350 million, of which approximately \$80 million is to be provided by Japan in the form of credit for the purchase of Japanese equipment and technical assistance.

2. Vrangel Bay is located on the southeasterly tip of the USSR, only 800 kilometers (km) from mainland Japan. The bay can be used the year round, and it is in an area that provides access to the vast resources of Soviet Siberia via the Trans-Siberian Railroad and its connecting lines.

3. The initial project, which got under construction in 1971, provides for dredging the bay to a minimum depth of 16 meters and the construction of coal piers capable of loading 10 million tons of coal annually, wood chip piers capable of loading 800,000 tons per year, and a container-handling facility with a capacity of 120,000 containers annually. In addition, storage and warehousing facilities, railyards, and rail connections are being constructed as are roads, utilities, administration buildings, and housing.

4. The project is moving along rapidly. It will be many more months, however, before installation of the complex cargo-handling equipment will begin. With approximately two-thirds of the construction period remaining, it is too early to predict whether the project will be completed in 1975 as scheduled.

Note: This memorandum was prepared by the Office of Economic Research and coordinated within the Directorate of Intelligence.

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5. Development of the Vrangal Bay project, coupled with successful cooperative efforts in timber production, provide the first, albeit modest, signs of realization of the long-discussed joint Soviet-Japanese development of Siberian raw materials. Inadequate port facilities in the Soviet Far East have long been regarded as the most serious transportation bottleneck to any large-scale expansion of Soviet-Japanese trade and cooperation in Siberian development. Although many obstacles to further cooperation remain, the successful completion of the Vrangal Bay project may encourage further Soviet-Japanese joint development agreements.

Discussion

Background

6. In December 1970 an agreement was signed by the Japan-Soviet Economic Committee¹ providing for the construction of a new deepwater port on the Soviet coast of the Sea of Japan. Initially, the port is to be developed for the shipping of coal and wood chips and the handling of containerized cargo. The agreement calls for Japanese technical assistance in the form of engineering design and the furnishing of specialized cargo-handling equipment financed by an \$80 million supplier's credit made available by the Japanese Export-Import Bank. Credit terms call for a 12% downpayment upon delivery, with the balance repaid over seven years at 6% interest. Total cost of the project is estimated at \$350 million.

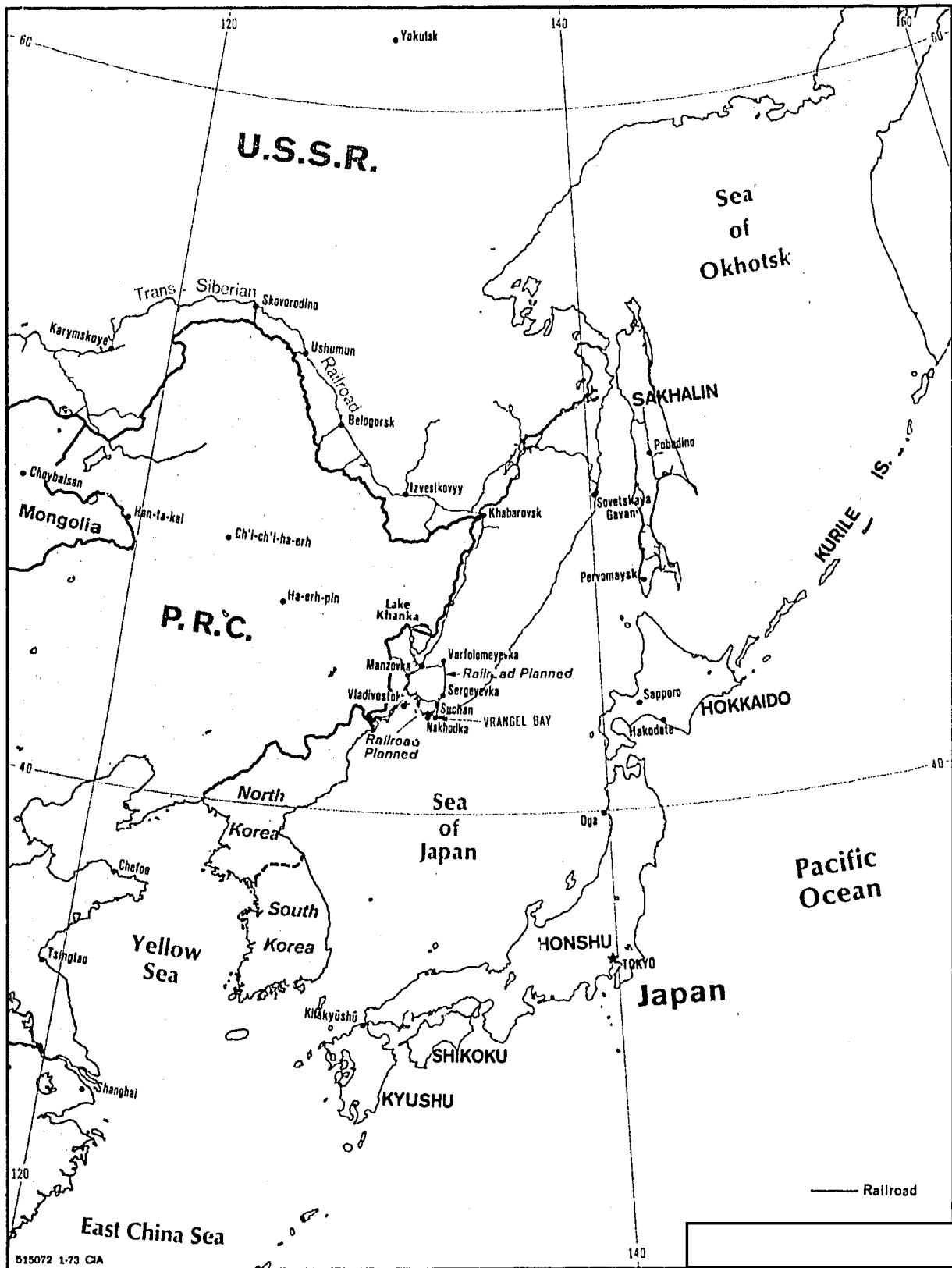
7. The new port is to be located on Vrangal Bay, a hitherto undeveloped site located at the point on the southeasterly tip of the USSR in closest proximity to mainland Japan (see the map). It is 14 km east of the port of Nakhodka and 100 km east of the port of Vladivostok. All three ports can be kept open the year round with the use of icebreakers. Vladivostok is the eastern terminus of the Trans-Siberian Railroad.

8. The Soviet Ministry of Transport Construction through its Far Eastern Administration for Construction of Sea and Water Installations has the overall responsibility for development of Vrangal Bay. Construction enterprises of the Ministry are supervising on-site activity. Planning and design, as well as operational control of all Soviet seaports, are the responsibility of the Ministry of the Maritime Fleet. That organization's design institute conducted research and coordinated with YV, Ltd., the Japanese consortium formed to join in the development of the port. Detailed design is being carried out by the International Construction Technical Association of Japan.

1. Also known as the Japan-Soviet Committee for Business Cooperation.

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9. Machinery and equipment for the port facilities, as well as some construction equipment, are being supplied by several Japanese firms. The Soviets will provide additional construction equipment and the materials that go into temporary and permanent housing and construction of roads and railroads.

10. The initial plan calls for the construction of three major cargo-handling facilities: coal piers with a capacity for loading 10 million tons of coal annually, wood chip piers capable of loading 800,000 tons per year, and a container-handling facility capable of handling 120,000 containers annually. Each facility will be equipped with the latest cargo-handling equipment for maximum speed in loading and discharging cargo and will have its own storage area and railyard. The entire port will be designed for year-round, round-the-clock activity.

11. In addition to its proximity to Japan and its favorable location with respect to other major Pacific ports, Vrangal Bay has the natural features essential for development of a major port. The bay area is large enough, more than 2 km wide and 3 km long, to serve as an excellent roadstead for ships waiting to load or discharge cargo. There is ample shoreline to accommodate the presently planned facilities with room for future expansion, and much of the bay is deep enough - without dredging - to accommodate modern deep-draft ships.

Status of Construction

12. Construction got under way at Vrangal Bay in early 1971 with the construction of temporary housing and administration buildings [REDACTED]

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[REDACTED] Later, two dredges were put in operation deepening the bay while at the same time producing sand and fill for construction operations. An extensive road net has been started, piers are under construction, and railroad lines are being built - one connecting with Nakhodka, and the other going north where it will connect with a branch line of the Trans-Siberian Railroad at Varfolomeyevka.

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13. Two construction support bases have been built - one in the general vicinity of the future coal piers and the other on the south side of the bay where the wood chip loading facility is planned. These bases have administration buildings, storage areas for construction materials and prefabricated components, a concrete plant, repair shops, and a wharf for unloading construction equipment and materials.

14. A forced labor camp and an apartment compound are under construction northeast of the bay and should be ready for occupancy in early 1973.

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15. Completion of the initial project -- coal, wood chip, and container-handling facilities, permanent housing for 15,000 inhabitants, as well as all necessary services and utilities, rail and highway networks, and dredging the bay and approach channel for ocean-going ships -- is scheduled for 1975. Construction is moving ahead rapidly on all fronts; however, it will be many months yet before installation of the complex cargo-handling equipment can be started. With approximately two-thirds of the construction period remaining, it is too early to predict whether the 1975 target will be met.

Economic and Political Implications

16. When the facilities at Vrangal Bay are completed and in full operation, it will be one of the larger, if not the largest, Soviet ports in terms of tons of cargo-handling capacity. With a capacity of 30 million to 35 million tons annually it will have about four times the present capacity of Nakhodka -- currently the largest commercial port in the Soviet Far East. Future development of available shoreline at Vrangal Bay could put it on a par with the ports of Baltimore or Norfolk.

17. Full utilization of the Vrangal bay facilities is not expected for several years. An increase in coal shipments to 10 million tons annually, for example, will require the development of higher grade coal deposits, such as those at Yakutsk. There are currently no plans to go ahead with any large-scale development of this type, although a joint development project has been under discussion between Soviet and Japanese representatives for many years. For this reason it appears logical that construction of the coal piers would be made in stages extending over a period of years [REDACTED] Similarly, full utilization of the container pier will take years to accomplish, and its construction may also be phased over a longer period.

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18. The increased amount of coal and wood chip exports that will be possible when this port is in operation will have a significant impact on the Soviet Far East economy and will act as a stimulant to further exploitation of Soviet resources. The port will be accessible via rail and road connections for the shipping of timber and timber products, copper, and aluminum and may be developed to handle oil and liquefied natural gas.

19. The cargo-handling facility will be able to handle 50 times as many containerized units as are now passing through Nakhodka and Vladivostok. Substantial increases in containerized trade between Japan and Europe via the now lightly used Soviet landbridge will then be possible.

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20. Vrangal Bay is an investment in the expansion of shipping, foreign trade, and the development of Soviet resources. The project is significant because it is a substantial advance over current shipping practices. Several other Soviet ports are undergoing modernization and expansion aimed at updating older facilities. Vrangal Bay is completely new, however, and is the only port being developed with foreign assistance.

21. The successful accomplishment of the Vrangal Bay project will undoubtedly stimulate additional joint efforts to develop Siberian raw materials (natural gas, coal, oil, and copper) and expand Soviet-Japanese trade and cooperative efforts.²

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